3505

FINANCIAL REPORT

LOUISIANA HOUSING FINANCE AGENCY
(STATE OF LOUISIANA)

JUNE 30, 2006 AND 2005

LOUISIANA HOUSING FINANCE AGENCY

INDEX TO REPORT

JUNE 30, 2006 AND 2005

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR, C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR, C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR. C.P.A.
(1920-1996)
JAMES MAHER, JR, C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

INDEPENDENT AUDITOR'S REPORT

August 21, 2006

To the Board of Commissioners
Louisiana Housing Finance Agency
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Louisiana Housing Finance Agency's General Fund (a component unit of the State of Louisiana) as of June 30, 2006 as presented in the foregoing index to the report. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Louisiana Housing Finance Agency as of June 30, 2005 were audited by other auditors whose report dated August 23, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, these financial statements present only the Louisiana Housing Finance Agency's General Fund and are not intended to present fairly the combined financial position, combined results of operations or the combined cash flows of the Louisiana Housing Finance Agency's mortgage revenue bond programs in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Housing Finance Agency's General Fund as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 8, is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 21, 2006 on our consideration of the Louisiana Housing Finance Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Annual Financial Statement Reporting Packet, presented as supplementary information, is not a required part of the basic financial statements, but is supplementary information required by Louisiana's Office of Statewide Reporting and Accounting Policy. This information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the accompanying financial statements taken as a whole.

Duplantier, Hrapmann, Hogan & Maher, LLP

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY (LHFA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006 AND JUNE 30, 2005

The Management's Discussion and Analysis of the LHFA's financial performance presents a narrative overview and analysis of LHFA's financial activities for the year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the LHFA's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

2006

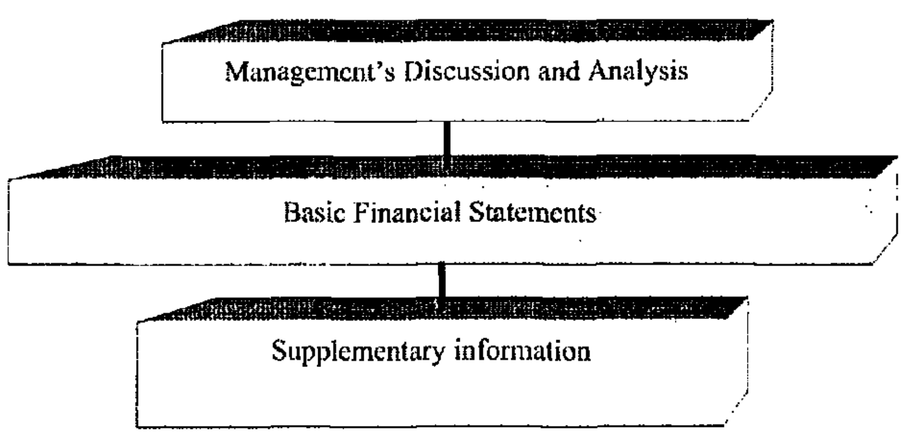
★ The LHFA's assets exceeded its liabilities at the close of fiscal year 2006 by $115,296,808, which represents an 18.5% increase from last fiscal year.
★ The LHFA's operating revenues increased by $688,702 (or 4.8%) and the net results from operating activities decreased by $1,490,840 (or 42.4%).

2005

★ The LHFA's assets exceeded its liabilities at the close of fiscal year 2005 by $97,259,396, which represents a 5.6% increase from last fiscal year.
★ The LHFA's operating revenues increased by $4,597,076 (or 46.9%) and the net results from operating activities increased by $2,324,795 (or 195.4%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements) and supplementary information.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY (LHFA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006 AND JUNE 30, 2005

Basic Financial Statements

The basic financial statements present information for the LHFA as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheets (page 9) present the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the LHFA is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets (page 10) present information showing how LHFA's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statements of Cash Flows (pages 11 - 12) present information showing how LHFA's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30, 2006, June 30, 2005 and June 30, 2004
(in thousands)

	2006	2005	2004
Current and other assets	$ 50,562	$ 51,733	$ 49,321
Restricted assets	121,326	114,415	113,935
Capital assets	10,214	11,249	11,332
Total assets	182,102	177,397	174,588
Other liabilities	11,345	14,838	13,172
Long-term debt outstanding	55,460	65,300	69,360
Total liabilities	66,805	80,138	82,532
Net assets:			
Invested in Capital Assets, net of related debt	2,679	3,194	2,782
Restricted	64,816	45,849	42,772
Unrestricted	47,802	48,216	46,502
Total net assets	$ 115,297	$ 97,259	$ 92,056

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY (LHFA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006 AND JUNE 30, 2005

Amounts invested in capital assets represent the carrying amount of property and equipment less depreciation. Restricted net assets represent those assets that are not available for spending as a result of donor agreements and grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

2006

Net assets of the LHFA increased by $18,037,412, or 18.5%, from June 30, 2005 to June 30, 2006. This increase in net assets can be attributed to a decrease in total liabilities and an increase in mortgage loans receivable and accrued interest receivable.

2005

Net assets of the LHFA increased by $5,203,004, or 5.6%, from June 30, 2004 to June 30, 2005. This increase in net assets can be attributed to increased operating income and substantial transfers received from Mortgage Revenue Bond programs. Unrestricted net assets is 49.6% of total net assets at June 30, 2005.

Statements of Revenues, Expenses, and Changes in Net Assets
for the years ended June 30, 2006, June 30, 2005 and June 30, 2004
(in thousands)

	Total		
	2006	2005	2004
Operating revenues	15,086	$ 14,398	$ 9,800
Operating expenses	13,063	10,884	8,611
Operating income	2,023	3,514	1,189
Non-operating revenues(loss)	11,566	(648)	210
Income(loss) before transfers	13,589	2,866	1,399
Transfers in (out)	4,448	2,337	(1,615)
Increase in net assets	18,037	$ 5,203	$ (216)

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY (LHFA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006 AND JUNE 30, 2005

2006

LHFA's operating revenues increased by $688,702, or 4.8%; primarily as a result of an increase in fees generated by the awarding of additional tax credits. Operating expenses increased $2,179,542, or 20%, as a result of increased personnel and increased professional services expense for the additional tax credits awarded. Net non-operating income (loss) decreased due primarily to a smaller increase in the net provision for loan loss on HOME program and a net loss from the operations of the two HUD Disposition properties, Gaslight and Willowbrook because of damage from Hurricane Katrina.

The LHFA's total revenues (including operating and non-operating) increased by $681,862 or .6%. The total cost of all programs and services decreased by $10,041,205 or 8.9%.

2005

LHFA's operating revenues increased by $4,597,056, or 46.9%; primarily as a result of higher fee income generated, mortgage loan interest income generated from the purchase of housing program mortgage loans, and a relatively stable value in its investment portfolio. Operating expenses increased $2,272,281, or 26.3%, as a result of increased personnel and other operating expenses incurred in order to service a number of new housing programs. Non-operating expenses increased due primarily to a decrease in the net provision for loan loss on HOME program loans caused by a change in the percentage used to calculate the provision and an increase in federal grants drawn.

The LHFA's total revenues (including operating and non-operating) increased by $10,990,410 or 10.5%. The total cost of all programs and services increased by $9,523,071 or 9.3%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the Louisiana Housing Finance Agency had $10.2 million invested in a broad range of capital assets, including a three story building facility located in Baton Rouge. (See Table below). This amount represents a net decrease (including additions and deductions) of $ 1,035,679, or a 9.2% decrease over last year.

	2006	2005	2004
Land	$ 712	712	$ 712
Land Improvements (net of accum. dep.)	106	113	119
Building (net of accumulated depreciation)	8,552	9,694	9,656
Equipment (net of accumulated depreciation)	530	730	845
Construction in Progress	314	0	0
Totals	$ 10,214	$ 11,249	$ 11,332

This year's changes included (in thousands):

• Equipment acquisitions and replacements	$ 134
• Depreciation	(493)
• Improvements	41
• Equipment disposals	(258)
• Adjustment for damage to HUD Disposition	(1,501)
• Rehab of HUD Disposition	314
• Adjust accumulated dep. for disposals	727

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY (LHFA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006 AND JUNE 30, 2005

Debt

The Louisiana Housing Finance Agency had $57,155,292 in bonds and notes outstanding at year-end, compared to
$69,100,000 at the end of last year as shown in the table below. The major portion of the decrease is due to the Risk Sharing MR Bonds, originally issued for $64,695,000 to assist 18 projects with funds for rehabilitation work, being paid down.

Outstanding Debt at Year-end
(in thousands)

	2006	2005	2004
Federal Home Loan Bank Advances	$ -	$ 1,000	$ -
General Revenue Office Building Bonds, Series 2001	7,535	8,055	8,555
Multi Family MR Bonds, (Section 8 Assisted - 202 Elderly Projects), Series 2003A	20,600	60,045	63,550
HUD debentures payable	29,020		
Totals	$ 57,155	$ 69,100	$ 72,105

2006

The LHFA's bond rating continues to carry the A2 rating for general revenue bonds and the 202 Elderly MR Bonds, and Aaa rating for the debt of its Other Mortgage Revenue Bonds which are not considered to be the Agency's general debt and are excluded from these financial statements.

The LHFA has accounts payable and accrued interest payable of $2,367,537 outstanding at year-end compared with $1,995,377 last year. Other obligations include accrued vacation pay and sick leave, and deferred revenue.

2005

The LHFA has accounts payable and accrued interest payable of $1,995,377 outstanding at year-end compared with $2,031,885 the previous year. Other obligations include accrued vacation pay and sick leave, and deferred revenue.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The LHFA's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY (LHFA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006 AND JUNE 30, 2005

- Expected increase in interest rates will tend to discourage early payoffs and refinancing, decreasing the shrinking rate of the Agency asset base of mortgage backed securities and thereby allowing new issues to stabilize or increase the asset base and thus increasing the issuer fees the Agency receives.
- Interest rates are expected to increase slightly over the next year, which will increase investment income.
- A PHA CAP Fund Initiative (a one time transaction) in the amount of $150M will generate about $150,000 dollars in Multi Family Issuer Fees.
- The HUD Disposition properties were damaged during Hurricane Katrina and aren't expected to be occupied until the end of 2007, no income is expected to be generated by them this year.
- If the need should arise, the warehousing of securities at the Federal Home Loan Bank of Dallas will help minimize negative arbitrage and it would increase investment income.

The LHFA expects that next year's results will be mixed based on the following:

- The Section 8 revenues could increase when the properties downed by Hurricane Katrina are repaired and brought back on-line.
- LHFA was awarded an additional $57 million dollars of tax credit for next year which will give LHFA additional revenues. Part of the 2008 tax credit could also be recognized in fiscal 2007.

CONTACTING THE LOUISIANA HOUSING FINANCE AGENCY'S MANAGEMENT

This financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Agency's customers, investors and creditors with a general overview of the Louisiana Housing Finance Agency's finances and to show the LHFA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact René Landry, acting C.F.O. at 2415 Quail Drive, Baton Rouge, Louisiana 70808.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
BALANCE SHEETS
JUNE 30, 2006 AND 2005

ASSETS

	2006	2005
CASH AND CASH EQUIVALENTS	$ 2,528,623	$ 2,594,194
INVESTMENTS	44,069,772	44,758,960
MORTGAGE LOANS	1,299,917	1,314,243
ACCRUED INTEREST RECEIVABLE	400,575	399,392
DUE FROM GOVERNMENTS	1,591,169	1,918,044
DUE FROM MRB PROGRAMS	245,497	77,662
CAPITAL ASSETS (net of accumulated depreciation of $2,536,189 and $2,770,397, respectively)	10,213,717	11,249,395
OTHER ASSETS	426,575	670,362
	60,775,845	62,982,252
RESTRICTED ASSETS:		
Cash and cash equivalents	7,493,736	9,509,388
Investments	7,228,538	9,305,157
Mortgage loans receivable (net of allowance for loan losses of $56,023,037 and $54,019,796, respectively)	88,701,811	81,053,410
Accrued interest receivable	17,902,114	14,546,773
	121,326,199	114,414,728
TOTAL ASSETS	$ 182,102,044	$ 177,396,980

See accompanying notes.

LIABILITIES AND NET ASSETS

	2006	2005
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 2,053,905	$ 1,758,002
ACCRUED INTEREST PAYABLE	313,632	237,375
DUE TO GOVERNMENTS	79,426	952,444
COMPENSATED ABSENCES PAYABLE	482,663	406,011
DEFERRED INCOME	147,970	187,716
AMOUNTS HELD IN ESCROW	6,572,348	7,496,036
	9,649,944	11,037,584
BONDS, DEBENTURES AND NOTES PAYABLE:		
Due within one year	1,695,000	3,800,000
Due in more than one year	55,460,292	65,300,000
	57,155,292	69,100,000
Total liabilities	66,805,236	80,137,584
NET ASSETS:		
Invested in capital assets (net of related debt)	2,678,717	3,194,395
Restricted	64,816,462	45,848,819
Unrestricted	47,801,629	48,216,182
Total net assets	115,296,808	97,259,396
TOTAL LIABILITES AND NET ASSETS	$ 182,102,044	$ 177,396,980

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
OPERATING REVENUES:		
MRB program issuer fees	$ 798,815	$ 988,880
Low income housing tax credit program fees	2,420,678	843,283
Compliance and application fees	48,375	47,025
Federal program administrative fees	6,568,316	6,399,839
Mortgage loan income	3,656,934	3,848,522
Investment income	1,225,746	2,261,446
Other income	367,602	8,769
	15,086,466	14,397,764
OPERATING EXPENSES:		
Personnel services	5,467,096	4,322,695
Supplies	135,170	153,074
Travel	290,208	185,535
Operating services	1,158,352	990,245
Professional services	2,567,715	1,842,460
Interest expense	2,980,329	2,920,945
Depreciation	464,407	468,781
	13,063,277	10,883,735
Operating income	2,023,189	3,514,029
NON-OPERATING REVENUES (EXPENSES):		
Other non-operating	157,706	134,477
Restricted mortgage loan interest income	3,629,526	2,354,475
Federal grants drawn	97,216,930	97,573,801
Federal grant funds disbursed	(86,319,637)	(85,576,296)
Provision for loan losses	(2,280,772)	(16,082,347)
Net income (loss) from rental property	(837,487)	948,249
	11,566,266	(647,641)
Income before transfers	13,589,455	2,866,388
Transfers from MRB Programs	4,447,957	2,336,616
CHANGE IN NET ASSETS	18,037,412	5,203,004
NET ASSETS - Beginning of year	97,259,396	92,056,392
NET ASSETS - End of year	$ 115,296,808	$ 97,259,396

See accompanying notes.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from:		
Fee revenue collected	$ 10,462,267	$ 9,673,568
Investment and mortgage loan income	5,628,463	5,660,672
Mortgage collections	3,061,344	3,327,739
Cash paid to:		
Suppliers of service	(3,855,542)	(2,973,825)
Employees and benefit providers	(5,390,444)	(4,263,898)
Mortgage purchases	(11,911,682)	(12,990,306)
Creditors for interest (net of capitalized interest)	(2,898,129)	(2,930,883)
Net cash used in operating activities	(4,903,723)	(4,496,933)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers from (to) MRB programs	4,447,957	2,336,616
Receipts of federal grants	96,343,912	97,440,966
Disbursements of federal grants	(86,319,637)	(85,576,296)
Net proceeds (payments) of debt issuance	29,020,292	1,000,000
Repayment/redemption of bonds	(40,445,000)	(3,505,000)
Net change in escrow accounts	(923,688)	763,894
Other non-operating income (expense)	(71,237)	510,271
Net cash provided by noncapital financing activities	2,052,599	12,970,451
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments purchased	(49,798,977)	(23,499,413)
Investments redeemed	51,110,770	13,145,144
Net cash from rental properties	467,538	1,261,762
Net cash provided by (used in) investing activities	1,779,331	(9,092,507)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of property and equipment	(489,430)	(542,173)
Issuance/repayment of bonds	(520,000)	(500,000)
Net cash used in capital financing activities	(1,009,430)	(1,042,173)

Continued

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (2,081,223)	$ (1,661,162)
CASH AND CASH EQUIVALENTS, beginning of year	12,103,582	13,764,744
CASH AND CASH EQUIVALENTS, end of year	$ 10,022,359	$ 12,103,582
PRESENTED ON THE BALANCE SHEET AS:		
Unrestricted	$ 2,528,623	$ 2,594,194
Restricted	7,493,736	9,509,388
	$ 10,022,359	$ 12,103,582
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income	$ 2,023,189	$ 3,514,029
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	464,407	468,781
Net change in fair value	1,454,013	(381,688)
Amortization of bond issuance costs	5,943	5,943
Change in accrued interest receivable	(708,230)	(69,608)
Change in due from governments	326,875	40,142
Change in due from MRB programs	(167,835)	1,632,368
Change in accounts payable and accrued expenses	295,903	(26,570)
Change in compensated absences payable	76,652	58,797
Change in deferred income	(39,746)	(42,517)
Change in other assets	139,187	(24,105)
Change in accrued interest payable	76,257	(9,938)
Mortgage loans purchased	(11,911,682)	(12,990,306)
Collections of mortgage loans	3,061,344	3,327,739
Net cash used in operating activities	$ (4,903,723)	$ (4,496,933)

See accompanying notes.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

ORGANIZATION OF THE AGENCY:

The Louisiana Housing Finance Agency (the Agency) is a political subdivision and instrumentality of the State of Louisiana established in 1980 pursuant to the Louisiana Housing Finance Act contained in Chapter 3-A of Title 40 of the Louisiana Revised Statutes of 1950, as amended. The initial enabling legislation and subsequent amendments grant the Agency the authority to undertake various programs to assist in the financing of housing needs in the State of Louisiana for persons of low and moderate incomes. Programs implemented by the Agency for this purpose consist of Mortgage Revenue Bond Programs, the Low Income Housing Tax Credit Program, the Mark-to Market program and various federal award programs including the Low Income Housing Energy Assistance Program, the Weatherization Assistance Program, HOME and Section 8 Contract Administration.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Louisiana Housing Finance Agency (the Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Agency's significant accounting policies are described below:

Reporting Entity:

Government Accounting Standards Board (GASB) Statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board.

    a. The ability of the state to impose its will on the organization.

    b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.

2. Organizations which are fiscally dependent.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity: (Continued)

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Due to the nature and significance of the relationship between the Agency and the State of Louisiana, the financial statements of the State would be misleading if the Agency's financial statements were excluded. Accordingly, the State of Louisiana has determined that the Agency is a component unit.

The accompanying statements of the Agency present only transactions of the Louisiana Housing Finance Agency's General Fund. The Agency's "General Fund" refers to the fund that accounts for the Agency's general operating activities and is not meant to denote a governmental type general fund of a primary government.

Annually, the Louisiana Housing Finance Agency issues combined financial statements which include the activity contained in the accompanying financial statements, along with the Agency's Mortgage Revenue Bond Programs.

Annually, the State of Louisiana issues basic financial statements which include the activity contained in the accompanying financial statements. The basic financial statements are issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and are audited by the Louisiana Legislative Auditor.

Basis of Accounting:

The Agency is considered a proprietary fund and is presented as a business type activity. Proprietary fund types are used to account for activities that are similar to those found in the private sector where the determination of operating income and changes in net assets is necessary or useful for sound financial administration. The GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Agency is essentially that of a financial institution having a business cycle greater than one year, the balance sheet is not presented in a classified format.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments:

Governmental Accounting Standards Board Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, requires certain types of investment securities to be carried at fair value. In accordance with this statement, the Agency carries all debt securities with an original term of greater than 90 days at fair value. The change in fair value of such securities is recognized as revenue as a component of investment income. Guaranteed Investment Contracts (GIC's) are carried at cost, which approximates market value.

Allowance for Loan Losses:

The allowance is maintained at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon reviews of groups of credits, loss experience of similar type loans, current and future estimated economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Loans deemed uncollectible are charged to the allowance. Past due status is based on contractual terms. Provisions for loan losses and recoveries on loans previously charged off are added to the allowance.

Capital Assets:

Capital assets are stated at cost less accumulated depreciation. The Agency capitalizes all property and equipment with initial, individual costs of greater than $1,000. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings	40 years
Equipment	3 – 7 years
Automobiles	5 years

Bond Issuance Costs:

Bond issuance costs, including underwriters' discounts on bonds sold, are deferred and amortized over the life of the indebtedness based on the principal amounts of the bonds outstanding, a method that approximates the interest method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Operating/Non-operating Revenue and Expenses:

Operating revenues consist of program administration fees, bond issue fees and investment income as these revenues are generated from the Agency's operations and are generated in carrying out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Federal grant pass-through revenues and expenses, provision for loan losses on program loans and income from rental properties are ancillary to the Agency's statutory purpose and are classified as non-operating.

Compensated Absences:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited, however, use of annual leave through time off is limited to 780 hours. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

As the Agency is a proprietary type fund, the cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expense when the leave is earned.

2. ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS:

Authority

For reporting purposes, cash and cash equivalents include cash on hand, financial institution deposits and all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates market value. Under state law, the Louisiana Housing Finance Agency may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Agency may purchase

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Authority: (Continued)

time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Under Louisiana Revised Statutes, the Agency may invest in obligations of the U.S. Treasury, obligations of U.S. Agencies which are guaranteed by the U.S. government or U.S. government agencies, repurchase agreements, certificates of deposit as mentioned above, investment grade commercial paper, investment grade corporate notes and bonds, and other investments as required by the terms of bond trust indentures.

Cash and Cash Equivalents:

The Louisiana Housing Finance Agency had cash and cash equivalents (book balances) as of June 30, 2006 and 2005, as follows:

	2006	2005	Rating
Petty cash	$ 500	$ 500	N/A
Demand deposits	211,828	1,943,661	N/A
Federal Home Loan Bank deposits	2,040,211	856,451	N/A
Money Market accounts	7,769,820	9,302,970	AAAm
	$ 10,022,359	$ 12,103,582	

The deposits and money market accounts are subject to custodial credit risk; that is, in the event of a bank failure, the deposit may not be returned. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The amount of Agency deposits (bank balance) which were not covered by FDIC insurance or pledged collateral held in the name of the Agency and thereby exposed to custodial credit risk was $7,066,820 and $9,433,766 at June 30, 2006 and 2005, respectively.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments:

As of June 30, 2006, the Agency had the following investments and maturities (in years):

		Investments Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1 to 4	4 to 8	8 to 10	≥ 10
U.S. Treasury Notes	$ 11,276,594	$ 1,746,808	$ 3,639,542	$ 5,890,244	$ --	$ --
U.S. Sponsored Agencies	33,950,986	11,634,422	13,844,256	8,155,012	317,296	--
GNMAs	5,835,516	--	2,012,985	2,580,155	--	1,242,376
Investment Contracts	235,214	--	--	--	--	235,214
Total	$ 51,298,310	$ 13,381,230	$ 19,496,783	$ 16,625,411	$ 317,296	$ 1,477,590

Interest Rate Risk. The Agency manages interest rate risk by duration. The Agency forecasts future changes in interest rates and the slope of the yield curve and then selects a duration strategy for the portfolio. For example, when forecasts are for higher interest rates, the general strategy is to shorten the overall duration of a portfolio to mitigate the adverse affects of higher interest rates. Conversely, if forecasts are for lower interest rates, then the duration of the portfolio is lengthened.

Credit Risk. State law limits investments to those indicated under the authority caption within this footnote. It is the Agency's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2006 and 2005, all of the Agency's investments were rated AAA by Standard & Poors.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's investments are held by the custodial bank as an agent for the Agency, in the agency name and are thereby not exposed to custodial credit risk.

Concentration of Credit Risk. The Agency places no limit on the amount that may be invested in any one issuer. As of June 30, 2006 and 2005, the Agency had investments of the following issuers which represented more than 5 percent of total investments:

3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments: (Continued)

Concentration of Credit Risk. (Continued)

	2006	2005
Federal Home Loan Bank	14%	28%
Federal Farm Credit Bank	8%	8%
Federal National Mortgage Association	30%	17%
Federal Home Loan Mortgage Corporation	14%	7%

Net unrealized gain (loss) on investment securities and securitized program loans was \$(1,208,415) and \$245,598 at June 30, 2006 and 2005, respectively. The change in fair value of \$(1,454,013) and \$381,688 was included in investment income for June 30, 2006 and 2005, respectively.

4. BONDS, DEBENTURES AND NOTES PAYABLE:

Limited Obligation Bonds Payable:

As authorized by the initial enabling legislation, the Agency issues revenue bonds to assist in the financing of housing needs in the State of Louisiana. The bonds are limited obligations of the Agency, payable only from the income, revenues and receipts derived from the mortgage loans and other investments held under and pursuant to the trust indentures and pledged therefore and are considered to be conduit debt of the Agency. The bonds do not constitute an obligation, either general or special, of the State of Louisiana, any municipality or any other political subdivision of the State. Bonds issued by the Agency for which the Agency and the State have no responsibility for repayment are not recorded in the accompanying financial statements. At June 30, 2006 and 2005, there were approximately \$663 and \$702 million of such bonds outstanding in 53 and 58 bond programs, respectively.

General Obligation Bonds Payable:

The Agency has issued \$9,500,000 of General Revenue Office Building Bonds, Series 2001 to finance the construction of a building to house its operations. The bonds are general obligations of the Agency, secured by and payable from any and all funds of the Agency not otherwise required to be irrevocably dedicated to other purposes. The bonds mature serially December 1, 2002 through December 1, 2016. Bonds scheduled to mature on or after December 1, 2010 are callable for redemption at the option of the Agency. The bonds bear interest at various rates, ranging from 3.50% to 8.00% per annum.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

4. BONDS, DEBENTURES AND NOTES PAYABLE: (Continued)

General Obligation Bonds Payable: (Continued)

The Agency has issued $64,695,000 of Multifamily Series Elderly Projects (Section 202) bonds as part of its multifamily housing program. The bonds are general obligations of the Agency payable from any and all funds of the Agency not otherwise required to be irrevocably dedicated to other purposes. Certain invested assets and mortgage loans are held in trust and dedicated to the repayment of the bonds. The bonds mature on a serial and term basis from June 1, 2004 through June 1, 2033 and bear interest at various rates from 1.2% to 4.85% per annum.

Future debt service requirements for the Agency's general obligation bonds payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2007	$ 1,695,000	$ 1,011,180	$ 2,706,180
2008	2,895,000	966,213	3,861,213
2009	2,975,000	887,192	3,862,192
2010	3,070,000	796,312	3,866,312
2011	3,175,000	693,458	3,868,458
2012-2016	13,465,000	1,567,300	15,032,300
2017-2021	860,000	20,210	880,210
	$ 28,135,000	$ 5,941,865	$ 34,076,865

Debentures Payable:

On April 28, 2006, the Agency issued $29,020,292 of debentures payable to the Department of Housing and Urban Development (HUD). The debentures were issued by the Agency in conjunction with the claim for mortgage insurance payment made by HUD under the Agency's Risk-Sharing Program for mortgage loans. Several of the Agency's mortgage loans under the Risk-Sharing Program were in default as a result of damages to the properties by Hurricane Katrina. The mortgage insurance payment was used to redeem a portion of the Section 202 bonds allocated to the defaulted properties.

The debentures bear interest at the rate of 4.5% and interest is due annually. The debentures are due on April 28, 2011. Pursuant to the Risk-Sharing Agreement, the Agency's percentage share of the face amount of the debentures is 50%.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

4. BONDS, DEBENTURES AND NOTES PAYABLE: (Continued)

Debentures Payable: (Continued)

Future debt service requirements for the debentures are as follows:

Year Ended June 30	Principal	Interest	Total
2007	$ --	$ 1,305,913	$ 1,305,913
2008	--	1,305,913	1,305,913
2009	--	1,305,913	1,305,913
2010	--	1,305,913	1,305,913
2011	29,020,292	1,305,913	30,326,205
	$ 29,020,292	$ 6,529,565	$ 35,549,857

Federal Home Loan Bank Advances

During the year ended June 30, 2005, the Agency borrowed funds under an agreement with the Federal Home Loan Bank of Dallas (FHLB) which allowed advances up to $30,250,000 to be obtained for the purpose of funding the purchase of securitized mortgage loans originated in its Single Family Programs. The advances bore interest at the overnight liquidity rate of the FHLB, which was 3.49% as of June 30, 2005. The advances matured on January 4, 2006. Short-term debt activity under this agreement was as follows:

	2006	2005
Balance, beginning of year	$ 1,000,000	$ --
Advances	12,216,000	1,000,000
Repayments	(13,216,000)	--
Balance, end of year	$ --	$ 1,000,000

5. FEDERAL FINANCIAL ASSISTANCE:

Federal grant programs represent an important source of funding to finance housing programs which are beneficial to the State of Louisiana. These grants are recorded as non-operating income and expense to the Agency and any assets held in relation to the programs are restricted. Receivables are established when eligible expenditures are incurred. The grants specify the purpose for which funds may be used and are subject to audit in accordance with Office of Management and Budget Circular A-133 under the "Single Audit Concept".

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

5. FEDERAL FINANCIAL ASSISTANCE: (Continued)

In the normal course of operations, the Agency receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. These audits can result in the Agency having to make restitution to the federal agency as a result of noncompliance.

During 2006 and 2005, the following amounts were expended under various grants and entitlements.

	2006	2005
Section 8	$ 57,924,253	$ 65,802,510
HOME Investment Partnerships	15,015,650	16,665,918
Low Income Housing Energy Assistance	28,759,843	16,370,038
Weatherization Assistance	1,801,769	4,227,202
FEMA	793,205	--
	$ 104,294,720	$ 103,065,668

6. BOARD OF COMMISSIONERS EXPENSES:

The appointed members of the Agency's Board of Commissioners receive a per diem payment for meetings attended and services rendered, and are also reimbursed for their actual expenses incurred in the performance of their duties as Commissioners. For the year ended June 30, 2006, the following per diem payments were made to the members of the Agency's Board and are included in general and administrative expenses:

Robert Austin	$ 450
Larry Broussard	650
Adell Brown, Jr.	350
Kevin Brown	150
Carolyn Burris	600
Gregory Gachassin	650
Allison Jones	500
Merriel Lawson	500
James Madderra	600
Philip Miller	650
Larrey Mouton	300
Danette O'Neal	550
Wayne Woods	750
	$ 6,700

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

7. RETIREMENT BENEFITS:

Substantially all of the employees of the Agency are members of the Louisiana State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees which is administered and controlled by a separate board of trustees.

All full-time Agency employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credit service.

Vested employees are entitled to a retirement benefit payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service or at age 50 with 10 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Agency is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rates were 19.1%, 17.8% and 15.8% for the years ended June 30, 2006, 2005 and 2004, respectively. The Agency contributions to the System for the years ended June 20, 2006, 2005 and 2004 were \$720,549, \$542,829 and \$445,959, respectively, equal to the required contributions for each year.

8. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Agency employees become eligible for post-employment health care, dental and life insurance benefits if they reach normal retirement age while working for the Agency. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Agency. At both June 30, 2006 and 2005, nine retirees were receiving post-employment benefits. The Agency recognizes the cost of providing these benefits as an expense as they are paid. For the years ended June 30, 2006 and 2005, the cost of providing those benefits totaled \$87,485 and \$72,987, respectively.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

9. CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Balance June 30, 2005	Additions	Deletions and Adjustments	Balance June 30, 2006
Equipment	$ 2,113,707	$ 134,530	$ (257,991)	$ 1,990,246
Building	11,062,807	40,910	(1,501,325)	9,602,392
Land and land improvements	843,278	--	--	843,278
Construction in progress	--	313,990	--	313,990
	14,019,792	489,430	(1,759,316)	12,749,906
Accumulated depreciation:				
General	(1,806,149)	(464,407)	14,392	(2,256,164)
HUD Disposition	(964,248)	(28,156)	712,379	(280,025)
	$ 11,249,395	$ (3,133)	$ (1,032,545)	$ 10,213,717

	Balance June 30, 2004	Additions	Deletions and Adjustments	Balance June 30, 2005
Equipment	$ 2,013,392	$ 100,315	$ --	$ 2,113,707
Building	10,620,949	441,858	--	11,062,807
Land and land improvements	843,278	--	--	843,278
	13,477,619	542,173	--	14,019,792
Accumulated depreciation:				
General	(1,337,368)	(468,781)	--	(1,806,149)
HUD Disposition	(808,091)	(156,157)	--	(964,248)
	$ 11,332,160	$ (82,765)	$ --	$ 11,249,395

Included in buildings and construction in progress is $1,890,646 of costs related to the two HUD disposition properties owned by the Agency. These buildings were damaged by Hurricane Katrina (see Note 11) and remain unoccupied and idle at June 30, 2006. The impairment loss on the two properties was $1,022,634 for the year ended June 30, 2006. The loss is included in net income (loss) from rental properties on the statement of revenues, expenses and changes in net assets.

10. COMMITMENTS AND CONTINGENCIES:

In the ordinary course of business, the Agency has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. In addition, the Agency is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, except for the matter described in the paragraph below and in Note 15, the ultimate disposition and liability, if any, of these matters is not known at this time.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

10. COMMITMENTS AND CONTINGENCIES: (Continued)

One of the Agency's HUD Disposition Projects is involved in two legal actions that arose as a result of events that occurred in the course of operations. The management company has also been named as a defendant in the lawsuit. In prior years, an accrual of $75,000 has been made relating to these matters.

11. HUD DISPOSITION PROPERTIES:

The Agency is the owner of two low-income multifamily rental properties that were originally purchased from the U. S. Department of Housing and Urban Development at a cost of $1 each. The Agency funded renovations to the properties totaling approximately $3.3 million through June 30, 2005. On August 29, 2005, the properties were significantly damaged by Hurricane Katrina and have not been occupied since that date. The properties were insured by the State of Louisiana Office of Risk Management. The properties are currently undergoing reconstruction funded by the State of Louisiana, which is recorded as Construction in Progress on the balance sheet of the Agency. It is the Agency's intent to restore the properties for re-occupation as soon as possible.

The net income (loss) from the properties is recorded as non-operating revenue (expense) to the Agency.

12. RESTRICTED LOANS:

As part of its HOME and multifamily programs, the Agency has made loans to qualified low-income single-family homebuyers and to developers of low-income multifamily projects. The HOME loans are issued as a supplement to primary financing and are collateralized by a second mortgage on the property financed. Payments on these loans are deferred until the earlier of: a) the date that the primary loan is paid out, or b) a specified future date. These loans are uninsured.

As part of its multifamily program, the Agency has made loans under its Section 202 HOME/Risk Sharing Program. The Program is designed to make loans to eligible projects pursuant to Section 202 of the Housing Act of 1959, as amended, and the Risk Sharing Program administered by HUD. The multifamily Section 202 loans are collateralized by a first mortgage on the property with principal and interest payments due monthly through 2033. These loans are insured by the Federal Housing Administration.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

12. RESTRICTED LOANS: (Continued)

The loan portfolio at June 30, 2006 and 2005 is as follows:

	2006	2005	Interest Rate
HOME Multifamily Mortgage Loans	$ 80,390,086	$ 68,478,404	1% – 6%
HOME Single Family Mortgage Loans	6,493,841	7,342,235	0%
202 Elderly Project Mortgage Loans	57,840,921	59,252,568	6%
	144,724,848	135,073,207	
Reserve for loan losses	(56,023,037)	(54,019,797)	
	$ 88,701,811	$ 81,053,410	

The Agency's collections from the HOME loans are restricted to funding future lending programs. The multifamily Section 202 loans are held in trust and pledged to repay the bonds (see Note 4). The principal balance and accruals of interest receivable on these loans are reported as restricted assets. A significant portion of the elderly project loans are 50% guaranteed by HUD under the Risk Sharing loan insurance program.

The increase in the reserve for loan losses was a result of additions of $2,003,241 and $16,082,347 to the provision for loan losses account for the years ended June 30, 2006 and 2005, respectively.

13. CONCENTRATION OF CREDIT RISK:

The Agency's HOME program loans are issued to single family borrowers and multifamily low-income housing projects throughout Louisiana. A substantial portion of the multifamily low-income housing project loans have been issued among entities with a common ownership.

14. RISK MANAGEMENT:

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. To provide coverage for these risks, the Agency participates with the State of Louisiana's Office of Risk Management, a public entity risk pool currently operating as a common risk management and insurance program for branches of state government. This Agency pays an annual premium to ORM for this coverage.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

15. PENDING CLAIM:

The Agency is involved in a matter with the Department of Housing and Urban Development Board of Contract Appeals relating to a multifamily mortgage loan claim paid by HUD in 1990. HUD now asserts that the Notice of Default, which was a required part of the procedures for processing such a claim, was filed with HUD beyond the required deadline. It is important to note that this process was the responsibility of the Servicing Agent that the Agency contracted to service this loan.

HUD is claiming that the Agency (or its trust account which no longer exists) was overpaid by $804,384. Furthermore, HUD claims entitlement to interest and penalties on this amount. The Agency has an indemnification agreement with the Servicing Agent for matters such as this; however, a formal claim has not been filed by the Agency against the Servicing Agent. The Agency's attorney has indicated that it is not possible to give an opinion concerning the likelihood of an unfavorable result to the Agency. However, in prior years, the Agency has accrued $1,000,000 relating to this matter.

16. RECLASSIFICATION:

Certain amounts from 2005 have been reclassified to conform to the current year's presentation.

17. NET ASSETS:

Net assets represent the difference between total assets and total liabilities. Unrestricted net assets are those that do not meet the definition of either net assets invested in capital assets net of related debt or restricted net assets. Net assets invested in capital assets net of related debt consist of capital assets less accumulated depreciation and net of outstanding balances of any debts used to finance those assets, such as bonds, capital leases and notes. Restricted assets are those that may be used only to finance specific types of transactions. These restrictions may be established by debt covenants, grantors, laws or regulations of other governments, or enabling legislation. Restricted net assets represent the balance of restricted assets less the outstanding balances of any liabilities that will be settled using restricted assets. The Agency's restricted net assets result primarily from the Agency's mortgage loan programs and the related bonds and debentures payable.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2006

CONTENTS

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
BALANCE SHEET
AS OF JUNE 30, 2006

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 2,528,623
Investments	44,069,772
Receivables (net of allowance for doubtful accounts)(Note U)	400,575
Due from other funds (Note Y)	245,497
Due from federal government	1,591,169
Inventories	
Prepayments	
Notes receivable	1,299,917
Other current assets	426,575
Total current assets	50,562,128
NONCURRENT ASSETS:	
Restricted assets (Note F):	
Cash	7,493,736
Investments	7,228,538
Receivables	17,902,114
Notes receivable	88,701,811
Investments	
Capital assets (net of depreciation)(Note D)	
Land	712,338
Buildings and improvements	8,654,069
Machinery and equipment	533,320
Infrastructure	
Construction in progress	313,990
Other noncurrent assets	
Total noncurrent assets	131,539,916
Total assets	$ 182,102,044
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable and accruals (Note V)	$ 2,080,867
Due to other funds (Note Y)	
Due to federal government	79,426
Deferred revenues	147,970
Amounts held in custody for others	
Other current liabilities	
Current portion of long-term liabilities:	
Contracts payable	
Reimbursement contracts payable	
Compensated absences payable (Note K)	482,663
Capital lease obligations - (Note J)	
Claims and litigation payable (Note K)	
Notes payable	
Liabilities payable from restricted assets (Note Z)	6,859,018
Bonds payable	1,695,000
Other long-term liabilities	
Total current liabilities	11,344,944
NON-CURRENT LIABILITIES:	
Contracts payable	
Reimbursement contracts payable	
Compensated absences payable (Note K)	
Capital lease obligations (Note J)	
Claims and litigation payable (Note K)	
Notes payable	
Liabilities payable from restricted assets (Note Z)	
Bonds payable	55,460,292
Other long-term liabilities	
Total long-term liabilities	55,460,292
Total liabilities	66,805,236
NET ASSETS	
Invested in capital assets, net of related debt	2,678,717
Restricted for:	
Capital projects	
Debt service	
Unemployment compensation	
Other specific purposes	64,816,462
Unrestricted	47,801,629
Total net assets	115,296,808
Total liabilities and net assets	$ 182,102,044

The accompanying notes are an integral part of this financial statement.

Statement A

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES	
Sales of commodities and services	$
Assessments	
Use of money and property	
Licenses, permits, and fees	9,836,184
Other	5,250,282
Total operating revenues	15,086,466
OPERATING EXPENSES	
Cost of sales and services	
Administrative	9,618,541
Depreciation	464,407
Amortization	
Total operating expenses	10,082,948
Operating income(loss)	5,003,518
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	
Intergovernmental revenues (expenses)	97,216,930
Taxes	
Use of money and property	
Gain on disposal of fixed assets	
Loss on disposal of fixed assets	
Federal grants	(86,319,637)
Interest expense	(2,980,329)
Other revenue	668,973
Other expense	
Total non-operating revenues(expenses)	8,585,937
Income(loss) before contributions and transfers	13,589,455
Capital contributions	
Extraordinary item - Loss on impairment of capital assets	
Transfers in	4,447,957 *
Transfers out	
Change in net assets	18,037,412
Total net assets – beginning as restated	97,259,396
Total net assets – ending	$ 115,296,808

* Net transfers from mortgage revenue bond programs representing residual amounts from the closure of bond programs relating to housing.

The accompanying notes are an integral part of this financial statement.

Statement B

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDEDJUNE 30, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Entity	$ 102,501,173	$ 13,465,710	$ 97,216,930	$	$ 8,181,467

General revenues:	
Taxes	
State appropriations	
Grants and contributions not restricted to specific programs	
Interest	4,882,680
Miscellaneous	525,308
Special items	
Extraordinary item - Loss on impairment of capital assets	
Transfers	4,447,957
Total general revenues, special items, and transfers	9,855,945
Change in net assets	18,037,412
Net assets - beginning as restated	97,259,396
Net assets - ending	$ 115,296,808

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Cash flows from operating activities		
Cash received from customers	$ 19,152,074	
Cash payments to suppliers for goods and services	(3,855,542)	
Cash payments to employees for services	(5,390,444)	
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)	(14,809,811)	
Net cash provided(used) by operating activities		$ (4,903,723)
Cash flows from non-capital financing activities		
State appropriations		
Proceeds from sale of bonds		
Principal paid on bonds	(40,445,000)	
Interest paid on bond maturities		
Proceeds from issuance of notes payable	29,020,292	
Principal paid on notes payable		
Interest paid on notes payable		
Operating grants received	96,343,912	
Transfers in	4,447,957	
Transfers out		
Other	(87,314,562)	
Net cash provided(used) by non-capital financing activities		2,052,599
Cash flows from capital and related financing activities		
Proceeds from sale of bonds		
Principal paid on bonds	(520,000)	
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets	(489,430)	
Proceeds from sale of capital assets		
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		(1,009,430)
Cash flows from investing activities		
Purchases of investment securities	(49,798,977)	
Proceeds from sale of investment securities	51,110,770	
Interest and dividends earned on investment securities	467,538	
Net cash provided(used) by investing activities		1,779,331
Net increase(decrease) in cash and cash equivalents		(2,081,223)
Cash and cash equivalents at beginning of year		12,103,582
Cash and cash equivalents at end of year		$ 10,022,359

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDEDJUNE 30, 2006

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)		$ 2,023,189
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization	464,407	
Provision for uncollectible accounts		
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	(549,190)	
(Increase)decrease in due from other funds		
(Increase)decrease in prepayments		
(Increase)decrease in inventories		
(Increase)decrease in other assets	(7,251,195)	
Increase(decrease) in accounts payable and accruals	372,160	
Increase(decrease) in accrued payroll and related benefits		
Increase(decrease) in compensated absences payable	76,652	
Increase(decrease) in due to other funds		
Increase(decrease) in deferred revenues	(39,746)	
Increase(decrease) in other liabilities		
Net cash provided(used) by operating activities		$ (4,903,723)

Schedule of noncash investing, capital, and financing activities:

The accompanying notes are an integral part of this statement.

Statement D (concluded)

INTRODUCTION

The Louisiana Housing Finance Agency was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statutes of 1950, as amended, Chapter 3-A of Title 40. The following is a brief description of the operations of the Agency which includes the parish/parishes in which the Agency is located:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Agency present information only as to the transactions of the programs of the Agency as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Agency are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING N/A

The appropriations made for the operations of the various programs of the Agency are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

	APPROPRIATIONS
Original approved budget	$
Amendments:	
Final approved budget	$ -

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Agency may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Agency may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by the three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2006, consisted of the following:

	Cash	Certificates of Deposit	Other (Describe)	Total
Deposits in Bank Accounts Per Balance Sheet	$ 10,021,869	$	$	$ 10,021,869
Bank Balances of Deposits Exposed to Custodial Credit Risk:				
a. Uninsured and uncollateralized	$ 7,066,820	$	$	$ 7,066,820
b. Uninsured and collateralized with securities held by the pledging institution	2,845,428			2,845,428
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the entity's name				-
Total Bank Balances - All Deposits	$ 9,912,248	$	$	$ 9,912,248

NOTE: The "Total Bank Balances – All Deposits" will not necessarily equal the "Deposits in Bank Account per Balance Sheet" due to outstanding items.

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

Banking Institution	Program	Amount
1. Chase Bank	General and Federal	$ 492,040
2. Capital One	HUD Disposition	313,177
3. Hancock	General, Elderly	7,066,820
4. Federal Home Loan Bank	General	2,040,211
Total		$ 9,912,248

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the balance sheet.

Cash in State Treasury	$
Petty cash	$ 500

2. INVESTMENTS

The Agency does not maintain investment accounts as authorized by Louisiana Revised Statutes of 1950, as amended and may invest in obligations of the U.S. Treasury, agencies, instrumentalities, repurchase agreements, and other investments.

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or the counterparty's trust department or agent but not in the entity's name. Using the following table, list each type of investment disclosing the total carrying amounts and market values, and any amounts exposed to custodial credit risk.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by the three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name. In addition, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk.

	Investments Exposed to Custodial Credit Risk		All Investments Regardless of Custodial Credit Risk Exposure	
Type of Investment	Uninsured, *Unregistered, and Held by Counterparty	Uninsured, *Unregistered, and Held by Counterparty's Trust Dept. or Agent Not in Entity's Name	Reported Amount	Fair Value
Repurchase agreements	$	$	$	$
U.S. Government securities			17,112,110	17,112,110
U. S. Agency Obligations				
Common & preferred stock				
Commercial paper				
Corporate bonds				
Other: (identify)				
US Sponsored Agencies			33,950,986	33,950,986
Investment Contracts			235,214	235,214
Total investments	$ -	$ -	$ 51,298,310	$ 51,298,310

* unregistered - not registered in the name of the government or entity

3. Derivatives

The institution does not invest in derivatives as part of its investment policy. Accordingly, the exposure to risk from these investments is as follows:
credit risk ______N/A
market risk______N/A
legal risk ________N/A

4. Credit Risk, Interest Rate Risk, Concentration of Credit Risk, and Foreign Currency Risk Disclosures

A. Credit Risk of Debt Investments

Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end. All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount).

Rating		Fair Value
AAA by Standard & Poors	$	51,298,310
Total	$	51,298,310

B. Interest Rate Risk

1. Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years for each debt investment type.

		Investment Maturities (in Years)			
Type of Debt Investment	Fair Value	Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government obligations	$	$	$	$ 376,384	$ 5,459,132
U.S. Agency obligations	33,950,986	11,634,422	13,407,825	3,136,495	5,772,244
U.S. Treasury obligations	11,276,594	1,746,808	8,824,433	705,353	
Mortgage backed securities	5,835,516				
Collateralized mortgage obligations					
Corporate bonds					
Other bonds					
Mutual funds					
Other	235,214				235,214
Total debt investments	$ 51,298,310	$ 13,381,230	$ 22,232,258	$ 4,218,232	$ 11,466,590

2. List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms of the investment (e.g. coupon multipliers, reset dates, etc.):

Debt Investment		Fair Value	Terms
NONE	$		
Total	$	-	

C. Concentration of Credit Risk

List, by amount and issuer, investments in any one issuer (not including U.S. government securities, mutual funds, and external investment pools) that represents 5% or more of total investments.

Issuer		Amount	% of Total Investments
Federal Home Loan Bank	$	7,115,489	14%
Federal Farm Credit Bank		3,873,592	8%
Federal National Mortgage Association		15,280,215	30%
Federal Home Loan Mortgage Corporation		7,021,939	14%
Total	$	33,291,235	

D. Foreign Currency Risk

Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies); list by currency denomination and investment type, if applicable.

Foreign Currency		Bonds		Stocks
NONE	$		$	
Total	$	-	$	-

5. Policies

Interest Rate Risk: The Agency manages interest rate risk by duration. They forecast future changes in interest rates and the slope of the yield curve and then select a duration strategy for the portfolio. For example, when forecasts are for higher interest rates, the general strategy is to shorten the overall duration of a portfolio to mitigate the adverse affects of higher interest rates. Conversely, if forecasts are for lower interest rates, then the duration of the portfolio is lengthened.

Credit Risk of Debt Investments: It is the Agency's policy to limit its investments in these investment types to the top rating issued by NRSROs.

Custodial Credit Risk: The Agency's investments are held by the custodial bank as an agent for the Agency, in the Agency name, and are thereby not exposed to custodial credit risk.

Concentration of Credit Risk: The Agency places no limit on the amount they may invest in any one issuer.

The Agency holds no deposits or investments that are exposed to foreign currency risk; therefore, there is no policy disclosed in the footnotes.

6. Other Disclosures Required for Investments

a. Investments in pools managed by other governments or mutual funds NONE

b. Securities underlying reverse repurchase agreements NONE

c. Unrealized investment losses $(1,208,415)

d. Commitments as of June 30, 2006, to resell securities under yield maintenance repurchase agreements:
   1. Carrying amount and market value at June 30 of securities to be resold __N/A____________
   2. Description of the terms of the agreement ______N/A______________________________

e. Losses during the year due to default by counterparties to deposit or investment transactions ______NONE______

f. Amounts recovered from prior-period losses which are not shown separately on the balance sheet ______NONE ______

Legal or Contractual Provisions for Reverse Repurchase Agreements N/A

g. Source of legal or contractual authorization for use of reverse repurchase agreements __________

h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year ______________

Reverse Repurchase Agreements as of Year-End N/A

i. Credit risk related to the reverse repurchase agreements (other than yield maintenance agreements) outstanding at year end, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest______________

j. Commitments on ____________ (fiscal close) to repurchase securities under yield maintenance agreements ______________

k. Market value on ____________ (fiscal close) of the securities to be repurchased ______________

l. Description of the terms of the agreements to repurchase ______________

m. Losses recognized during the year due to default by counterparties to reverse repurchase agreements ______________

n. Amounts recovered from prior-period losses which are not separately shown on the operating statement ______________

Fair Value Disclosures

o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices ______ N/A ______________

p. Basis for determining which investments, if any, are reported at amortized cost___________ Cash Equivalents______________

q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool _____NONE_____

r. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares _____N/A_____

s. Any involuntary participation in an external investment pool ____N/A_ _____

t. If you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining fair value and the reasons for having had to make such an estimate _____N/A_____

u. Any income from investments associated with one fund that is assigned to another fund _____N/A_____

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial purposes is computed by the straight-line method over the useful lives of the assets.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
Notes to the Financial Statement
As of and for the year ended June 30, 2006

	Year ended June 30, 2006						
	Balance 6/30/2005	Prior Period Adjustment	Adjusted Balance 7/1/2005	Additions	Transfers*	Retirements	Balance 6/30/2006
Capital assets not being depreciated							
Land	$ 712,338	$	$ 712,338	$	$	$	$ 712,338
Non-depreciable land improvements			--				--
Capitalized collections			--				--
Construction in progress			--	313,990			313,990
Total capital assets not being depreciated	$ 712,338	$ --	$ 712,338	$ 313,990	$ --	$ --	$ 1,026,328
Other capital assets							
Furniture, fixtures, and equipment	$ 2,113,707	$	$ 2,113,707	$ 134,530	$	$ (257,991)	$ 1,990,246
Less accumulated depreciation	(1,383,921)		(1,383,921)	(261,922)		188,917	(1,456,926)
Total furniture, fixtures, and equipment	729,786	--	729,786	(127,392)	--	(69,074)	533,320
Buildings and improvements	11,062,808		11,062,808	40,911		(1,501,325)	9,602,394
Less accumulated depreciation	(1,368,196)		(1,368,196)	(224,094)		537,853	(1,054,437)
Total buildings and improvements	9,694,612	--	9,694,612	(183,183)	--	(963,472)	8,547,957
Depreciable land improvements	130,939		130,939				130,939
Less accumulated depreciation	(18,280)		(18,280)	(6,547)			(24,827)
Total depreciable land improvements	112,659	--	112,659	(6,547)	--	--	106,112
Infrastructure			--				--
Less accumulated depreciation			--				--
Total infrastructure	--	--	--	--	--	--	--
Total other capital assets	$ 10,537,057	$ --	$ 10,537,057	$ (317,122)	$ --	$ (1,032,546)	$ 9,187,389
Capital Asset Summary:							
Capital assets not being depreciated	$ 712,338	$ --	$ 712,338	$ 313,990	$ --	$ --	$ 1,026,328
Other capital assets, at cost	13,307,454	--	13,307,454	175,441	--	(1,759,316)	11,723,579
Total cost of capital assets	14,019,792	--	14,019,792	489,431	--	(1,759,316)	12,749,907
Less accumulated depreciation	(2,770,397)	--	(2,770,397)	(492,563)	--	726,770	(2,536,190)
Capital assets, net	$ 11,249,395	$ --	$ 11,249,395	$ (3,132)	$ --	$ (1,032,546)	$ 10,213,717

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

E. INVENTORIES

The Agency's inventories are valued at ____N/A__________________ (method of valuation). These are perpetual inventories and are expensed when used.

F. RESTRICTED ASSETS

Restricted assets in the Agency at June 30, 2006, reflected at $32,624,388 in the non-current assets section on Statement A, consisting of $7,493,736 in cash with fiscal agent, $17,902,114 in receivables, and $7,228,538 in investment securities.

G. LEAVE

1. COMPENSATED ABSENCES

The Agency has the following policy on annual and sick leave:

An example disclosure follows:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited; however, the use of annual leave through time off is limited to 780 hours. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2006 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be insignificant. The leave payable is not recorded in the accompanying financial statements.

H. RETIREMENT SYSTEM

Substantially all of the employees of the Agency are members of the Louisiana State Employees Retirement System (LASERS), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time Agency employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to $300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credit service.

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service or at age 50 with 10 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Agency is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rates were 19.1%, 17.8% and 15.8% for the years ended June 30, 2006, 2005 and 2004 respectively. The Agency contributions to the System for the years ending June 30, 2006, 2005, and 2004, were $720,549, $542,829, and $445,959, respectively, equal to the required contributions for each year.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

GASB 12 requires the following disclosures about an employer's accounting for post retirement health care and life insurance benefits:

1. A description of the benefits provided and the employee group covered.
2. A description of the accounting and funding policies followed for those benefits.
3. The cost of those benefits recognized for the period, unless the costs are not readily determinable.*
4. The effect of significant matters affecting the comparability of the costs recognized for all periods presented.

Substantially, all Agency employees become eligible for post employment health care, dental and life insurance benefits if they reach normal retirement age while working for the Agency. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Agency. The Agency recognizes the cost of providing these benefits as an expense as they are paid. For the years ended June 30, 2006 and 2005, the cost of providing those benefits totaled $87,485 and $72,987, respectively.

J. LEASES

1. OPERATING LEASES N/A

The total payments for operating leases during fiscal year ________amounted to $________. **(Note: If lease payments extend past FY 2021, create additional columns and report these future minimum lease payments in five year increments.)** A schedule of payments for operating leases follows:

Nature of lease	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016	FY 2017-2021
	$	$	$	$	$	$	$
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -

2. CAPITAL LEASES N/A

Capital leases are / are not recognized in the accompanying financial statements. The amounts to be accrued for capital leases and the disclosures required for capital and operating leases by National Council on Governmental Accounting (NCGA) Statement No. 5, as adopted by the Governmental Accounting Standards Board, and FASB 13 should be reported on the following schedules:

Capital leases are defined as an arrangement in which any one of the following conditions apply: (1) ownership transfers by the end of the lease, (2) the lease contains a bargain purchase option, (3) the lease term is 75% of the asset life or, (4) the discounted minimum lease payments are 90% of the fair market value of the asset.

Schedule A should be used to report all capital leases including new leases in effect as of 6/30/06. In Schedule B, report only those new leases entered into during fiscal year 2005-2006.

SCHEDULE A – TOTAL AGENCY CAPITAL LEASES EXCEPT LEAF

Nature of lease	Gross Amount of Leased Asset (Historical Costs)	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space	$	$	$
b. Equipment			
c. Land			
Total	$ -	$ -	$ -

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest: **(Note: If lease payments extend past FY2026, create additional rows and report these future minimum lease payments in five year increments.)**

Year ending June 30 :	Total
2007	$
2008	
2009	
2010	
2011	
2012-2016	
2017-2021	
2022-2026	
Total minimum lease payments	-
Less amounts representing executory costs	
Net minimum lease payments	-
Less amounts representing interest	
Present value of net minimum lease payments	$ -

SCHEDULE B – NEW AGENCY CAPITAL LEASES EXCEPT LEAF

Nature of lease	Gross Amount of Leased Asset (Historical Costs)	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space	$	$	$
b. Equipment			
c. Land			
Total	$ -	$ -	$ -

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest: **(Note: If lease payments extend past FY2026, create additional rows and report these future minimum lease payments in five year increments.)**

Year ending June 30:	Total
2007	$
2008	
2009	
2010	
2011	
2012-2016	
2017-2021	
2022-2026	
Total minimum lease payments	-
Less amounts representing executory costs	
Net minimum lease payments	-
Less amounts representing interest	
Present value of net minimum lease payments	$ -

SCHEDULE C – LEAF CAPITAL LEASES

Nature of lease	Gross Amount of Leased Asset (Historical Costs)	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space	$	$	$
b. Equipment			
c. Land			
Total	$ -	$ -	$ -

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest: **(Note: If lease payments extend past FY2026, create additional rows and report these future minimum lease payments in five year increments.)**

Year ending June 30:		Total
2007	$	
2008		
2009		
2010		
2011		
2012-2016		
2017-2021		
2022-2026		
Total minimum lease payments		-
Less amounts representing executory costs		
Net minimum lease payments		-
Less amounts representing interest		
Present value of net minimum lease payments	$	-

3. LESSOR DIRECT FINANCING LEASES N/A

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectibility of the minimum lease payments is reasonably predictable.
- No important uncertainties surround the amount of the unreimbursable costs yet to be incurred by the lessor under the lease.

Provide a general description of the direct financing agreement and complete the chart below:

Composition of lease	Date of lease	Minimum lease payment receivable	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space		$	$	$
b. Equipment				
c. Land				
Less amounts representing executory costs				
Minimum lease payment receivable		-		
Less allowance for doubtful accounts				
Net minimum lease payments receivable		-		
Less estimated residual value of leased property				
Less unearned income				
Net investment in direct financing lease		$ -		

Minimum lease payment receivables do not include contingent rentals which may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2006 were $_________ for office space, $_________ for equipment, and $_________ for land.

The following is a schedule by year of minimum leases receivable for the remaining fiscal years of the lease as of ___________ (the last day of your fiscal year): **(Note: If lease receivables extend past FY2026, please create additional rows and report these future minimum lease payment receivables in five year increments.)**

Year ending _____________:	
2007	$
2008	
2009	
2010	
2011	
2012-2016	
2017-2021	
2022-2026	
Total	$ -

4. LESSOR – OPERATING LEASE N/A

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting), and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become measurable and available.

Provide the cost and carrying amount, if different, of property on lease or held for lease organized by major class of property and the amount of accumulated depreciation as of __________ 20___:

	Cost	Accumulated depreciation	Carrying amount
a. Office space	$	$	$
b. Equipment			
c. Land			
Total	$ -	$ -	$ -

The following is a schedule by years of minimum future rentals receivable on non-cancelable operating lease(s) as of _________ (the last day of your fiscal year): **(Note: If lease receivables extend past FY2021, please create additional columns and report these future minimum lease payment receivables in five year increments.)**

Year Ended June 30,	Office Space	Equipment	Land	Other	Total
2007	$	$	$	$	$ -
2008					-
2009					-
2010					-
2011					-
2012-2016					-
2017-2021					-
Total	$ -	$ -	$ -	$ -	$ -

Current year lease revenues received in fiscal year ______ totaled $________________.

Contingent rentals received from operating leases received for your fiscal year was $_______________ for office space, $_____________for equipment, and $______________for land.

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2006:

	Balance June 30, 2005	Year ended June 30, 2006 Additions	Reductions	Balance June 30, 2006	Amounts due within one year
Notes and bonds payable:					
Notes payable	$	$ 29,020,492	$	$ 29,020,292	$
Reimbursement contracts payable				--	
Bonds payable	68,100,000		39,965,000	28,135,000	1,695,000
Total notes and bonds	68,100,000	29,020,492	39,965,000	57,155,292	1,695,000
Other liabilities:					
Contracts payable				--	
Compensated absences payable				--	
Capital lease obligations				--	
Claims and litigation				--	
Liabilities payable from restricted asset				--	
Other long-term liabilities				--	
Total other liabilities	--	--	--	--	--
Total long-term liabilities	$ 68,100,000	$ 29,020,492	$ 39,965,000	$ 57,155,292	$ 1,695,000

A detailed summary, by issues, of all debt outstanding at June 30, 2006, including outstanding interest of $69,626,722 is shown on Schedules 4-C and 4-D. Schedules 4-C and 4-D are amortization schedules of the outstanding debt.

L. CONTINGENT LIABILITIES

The Agency is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation and Probable outcome (Remote, reasonably possible, or probable)	Primary Attorney	*Damages Claimed	Insurance Coverage
08/01/02	HUD Claim	Long Law Firm	$ 1,000,000	$ -
	Near Drowning	Steven Whitman	75,000	-
Totals			$ 1,075,000	$ -

The Agency is involved in a matter with the Department of Housing and Urban Development Board of Contract Appeals relating to a multifamily mortgage loan claim paid by HUD in 1990. HUD now asserts that the Notice of Default, which was a required part of the procedures for processing such a claim, was filed with HUD beyond the required deadline. It is important to note that this process was the responsibility of the Servicing Agent that the Agency contracted to service this loan.

HUD is claiming the Agency (or its trust account, which no longer exists) was overpaid by $804,384. Furthermore, HUD claims entitlement to interest and penalties on this amount, bringing the total potential liability to approximately $1.3 million. The Agency has an indemnification agreement with the Servicing Agent for matters such as this; however, a formal claim has not been filed by the Agency against the

Servicing Agency. The Agency has accruedi$1,000,000 in the accompanying financial statements relating to this matter.

Claims and litigation costs of $95,156 were incurred in the current year and are reflected in the accompanying financial statement.

M. RELATED PARTY TRANSACTIONS

FASB 57 requires disclosure of the description of the relationship, the transaction(s), the dollar amount of the transaction(s) and any amounts due to or from which result from related party transactions. List all related party transactions.____NONE____

N. ACCOUNTING CHANGES

Accounting changes made during the year involved a change in accounting ______N/A______ (principle, estimate or entity). The effect of the change is being shown in _____N/A__________.

O. IN-KIND CONTRIBUTIONS N/A

List all in-kind contributions that are not included in the accompanying financial statements.

In-Kind Contributions	Cost/Estimated Cost/Fair Market Value/As Determined by the Grantor
	$
Total	$ -

P. DEFEASED ISSUES N/A

In ________________, 20____, the ____ (BTA), issued $____________________ of taxable bonds. The purpose of the issue was to provide monies to advance refund portions of _______________ bonds. In order to refund the bonds, portions of the proceeds of the new issue $________________, plus an additional $_____________of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated _______________,_____ between the (BTA) and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments by almost $ _________________ and gave the (BTA) an economic gain (difference between the present values of the debt service payments on the old and new debt) of $________________.

Q. COOPERATIVE ENDEAVORS N/A

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

Some cooperative endeavor contracts are not coded with a document type of "COP" on the Contract Financial Management Subsystem (CFMS), but are considered cooperative endeavors. Include these below with your cooperative endeavor contracts coded with a document type of "COP". Examples of contracts that are considered cooperative endeavors, but are not coded with a document type of "COP" include contracts that fall under delegated authority, Facility Planning and Control "CEA" contracts, certain federal government contracts, contracts that legislative auditors may have designated as such within your agency, work incumbent programs, etc. In prior years, this information was requested as supplemental documentation after the AFRs were submitted, usually in October or November.

The liability outstanding for fiscal year ending June 30, 2006, by funding source, is as follows:

Funding Source	Balance June 30, 2006
State General Fund	
Self-generated revenue	
Statutorily dedicated revenue	
General obligation bonds	
Federal funds	
Interagency transfers	
Other funds/combination	
Total	$

NOTE: Amounts in excess of contract limits **cannot** be used to reduce the outstanding contract balance at June 30, 2006. For example, if a contract specifies a percentage of usage for each month (25%) and usage exceeds that percentage (75%), you cannot claim actual usage that exceeds contract requirements (50%).

NOTE: In order to compute ending balances by funding source, you should begin with your balances at June 30, 2005. These amounts will be increased by amounts for new contracts and amendments and decreased for payments and liquidations.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) N/A

The following government-mandated nonexchange transactions (grants) were received during fiscal year 2005-2006:

CFDA Number	Program Name	State Match Percentage	Total Amount of Grant
			$
Total government-mandated nonexchange transactions (grants)			$ -

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS N/A

At June 30, 20__, the ____________________ (BTA) was not in compliance with the provisions of ____ Bond Reserve Covenant that requires ________________________________. The ____ (BTA) did ___________________________ to correct this deficiency.

T. SHORT-TERM DEBT

The ___________(BTA) issues short-term notes for the following purpose(s) ____N/A_____
____.

Short-term debt activity for the year ended June 30, 2006, was as follows:

List the type of Short-term debt (e.g., tax anticipation notes)	Beginning Balance	Issued	Redeemed	Ending Balance
N/A	$	$	$	$ -

The Agency uses a revolving line of credit for the following to finance purchases of securitized mortgage loans in its single family program. Short-term debt activity for the year ended June 30, 2006, was as follows:

Beginning Balance	Draws	Redeemed	Ending Balance
$ 1,000,000	$ 12,216,000	$ 13,216,000	$ -

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2006, were as follows:

Fund	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
	$	$	$	$ 400,575	$ 400,575
					-
Gross receivables	$ -	$ -	$ -	$ 400,575	$ 400,575
Less allowance for uncollectible accounts	-	-	-	-	-
Receivables, net	$ -	$ -	$ -	$ 400,575	$ 400,575

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2006, were as follows:

Fund	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
	$ 1,875,939	$ 169,382	$ 26,962	$ 8,583	$ 2,080,866
					-
Total payables	$ 1,875,939	$ 169,382	$ 26,962	$ 8,583	$ 2,080,866

W. SUBSEQUENT EVENTS N/A

Disclose any material event(s) affecting the (BTA) occurring between the close of the fiscal period and issuance of the financial statement. ______________________________

X. SEGMENT INFORMATION N/A

Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. For purposes of this disclosure, a segment is an identifiable activity (or group of activities), reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. This requirement for separate accounting applies if imposed by an external party, such as accounting and reporting requirements set forth in bond indentures. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial statements in the notes, including the elements in A through C below (GASB 34, paragraph 122, as modified by GASB 37, paragraph 17.)

Type of goods or services provided by the segment____________________________.

A. Condensed balance sheet:

(1) Total assets – distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or BTA's should be reported separately.
(2) Total liabilities – distinguishing between current and long-term amounts. Amounts payable to other funds or BTA's should be reported separately.
(3) Total net assets – distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.

Condensed Balance sheet:

	Segment #1	Segment #2
Current assets	$	$
Due from other funds		
Capital assets		
Other assets		
Current liabilities		
Due to other funds		
Long-term liabilities		
Restricted net assets		
Unrestricted net assets		
Invested in capital assets, net of related debt		

B. Condensed statement of revenues, expenses, and changes in net assets:

(1) Operating revenues (by major source).
(2) Operating expenses. Depreciation (including any amortization) should be identified separately.
(3) Operating income (loss).
(4) Nonoperating revenues (expenses) – with separate reporting of major revenues and expenses.
(5) Capital contributions and additions to permanent and term endowments.
(6) Special and extraordinary items.
(7) Transfers
(8) Change in net assets.
(9) Beginning net assets.
(10) Ending net assets.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

	Segment #1	Segment #2
Operating revenues	$	$
Operating expenses		
Depreciation and amortization		
Operating income (loss)	-	-
Nonoperating revenues (expenses)		
Capital contributions/additions to permanent and term endowments		
Special and extraordinary items		
Transfers in		
Transfers out		
Change in net assets	-	-
Beginning net assets		
Ending net assets	-	-

C. Condensed statement of cash flows:

(1) Net cash provided (used) by:
  (a) Operating activities
  (b) Noncapital financing activities
  (c) Capital and related financing activities
  (d) Investing activities
(2) Beginning cash and cash equivalent balances
(3) Ending cash and cash equivalent balances

Condensed Statement of Cash Flows:

	Segment #1	Segment #2
Net cash provided (used) by operating activities	$	$
Net cash provided (used) by noncapital financing activities		
Net cash provided (used) by capital and related financing activities		
Net cash provided (used) by investing activities		
Beginning cash and cash equivalent balances		
Ending cash and cash equivalent balances	-	-

Y. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type the amounts **due from other funds** detailed by individual fund at fiscal year end: (Types of funds include general fund, statutory dedicated funds, discrete component unit funds, etc).

Type of Fund	Name of Fund	Amount
ENTERPRISE	MRB PROGRAM FUNDS	$245,497
Total due from other funds		$245,497

2. List by fund type the amounts **due to other funds** detailed by individual fund at fiscal year end:

Type of Fund	Name of Fund	Amount
N/A		$
Total due to other funds		$

3. List by fund type **all transfers from other funds for the fiscal year:**

Type of Fund	Name of Fund	Amount
ENTERPRISE	MRB HOUSING PROGRAM	$4,447,957
Total transfers from other funds		$4,447,957

4. List by fund type **all transfers to other funds for the fiscal year:**

Type of Fund	Name of Fund	Amount
N/A		$
Total transfers to other funds		$

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the Agency at June 30, 2006, reflected at $6,859,018 in the current liabilities section on Statement A, consist of $286,670 in accrued interest and $6,572,348 in amounts held in escrow.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS N/A

The following adjustments were made to restate beginning net assets for June 30, 20__.
Each adjustment must be explained in detail on a separate sheet.

Ending net assets July 1, 2005, previously reported	Adjustments + or (-)	Beginning net assets, July 1, 2005, as restated
	$	$ --
		--
		--
		--
		--
		--

(NOTE: Net Assets at July 1, 20__, previously reported, must correspond to Net Assets at June 30, 20__, per the information received from OSRAP.)

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46) N/A

Of the total net assets reported on Statement A at June 30, 20__, $____________ are restricted by enabling legislation (which includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation). Refer to Appendix C for more details on the determination of the amount to be reported as required by GASB Statement 46.

CC. IMPAIRMENT OF CAPITAL ASSETS

GASB 42 establishes accounting and financial reporting standards for the impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. **See Appendix D for more information on GASB 42 and the Impairment of Capital Assets.**

The following capital assets are considered impaired: (There are five indicators of impairment described in Appendix D, (1) physical damage, (2) enactment of laws, etc. List the appropriate number (1-5) to identify the indicator of impairment in the second to last column below.)

Type of asset	Amount of Impairment Loss	Indication of Impairment	Insurance Recovery in the same FY	Reason for Impairment (e.g. hurricane)
Buildings	955,564	1		Hurricane
Movable Property	67,257	1		Hurricane
Infrastructure				

The carrying amount of impaired capital assets that are idle at year-end should be disclosed, regardless of whether the impairment is considered permanent or temporary. The following capital assets were idle at the end of the fiscal year. (Include the capital assets listed above that were idle at the end of the fiscal year.)

Type of asset	Carrying Value
Buildings	$ 1,610,621
Movable Property	$
Infrastructure	$

DD. EMPLOYEE TERMINATION BENEFITS N/A

Termination benefits are benefits, other than salaries and wages that are provided by employers as settlement for involuntary terminations initiated by management, or as an incentive for voluntary terminations initiated by employees. Involuntary termination benefits include benefits such as payment for unused leave balances. Voluntary termination benefits include benefits such as enhanced early retirement options resulting from an approved early retirement plan and payment for unused leave balances.
Other termination benefits may include:

1. Early retirement incentives, such as cash payments, enhancement to defined benefit formula
2. Health care coverage when none would otherwise be provided (COBRA)
3. Compensated absences, including payments for leave balances
4. Payments due to early release from employment contracts

GASB 47 requires the following disclosures about an employer's accounting for employee termination benefits.

1. A description of the termination benefit arrangement(s)
2. Period the employer becomes obligated
3. Number of employees affected
4. Cost of termination benefits
5. Type of benefit(s) provided
6. The period of time over which the benefits are expected to be provided
7. If the termination benefit affects the defined benefit pension (OPEB) obligations, disclose the change in the actuarial accrued liability for the pension or OPEB plan attributable to the termination benefit
8. When termination liabilities are reported, disclose the significant methods and assumptions used to determine the liabilities to be disclosed (for as long as the liability is reported)

The GASB 47 note disclosures listed below are provided as an example and should be modified as necessary.

Substantially all employees are eligible for termination benefits upon separation from the state. The agency recognizes the cost of providing these benefits as expenditures when paid during the year. For 2006, the cost of providing those benefits for _____ (number of) voluntary terminations totaled $_________. For 2006, the cost of providing those benefits for _____ (number of) involuntary terminations totaled $_________.
[The termination benefits (voluntary and involuntary) paid in FY 2006 should also be included in the Statement of Revenues, Expenses, and Changes in Fund Net Assets on the account line "Administrative" in the Operating Expense Section.]

The liability for the accrued voluntary terminations benefits payable at June 30, _____ is $_________. This liability consists of _________ (number of) voluntary terminations. The liability for the accrued involuntary terminations benefits payable at June 30, ______ is $_________. This liability consists of _________ (number of) involuntary terminations.
[The termination benefits (voluntary and involuntary) payable at fiscal year end should also be included on the Balance Sheet in the "compensated absences payable" account line.]

If a termination benefit is not recognized because the expected benefits are not estimable, the employer should disclose that fact. Briefly describe termination benefits provided to employees as discussed above. If none, please state that fact.

A terminated employee can continue to access health benefits, however, if the COBRA participant is paying the ENTIRE premium then there is no state contribution on behalf of this individual. Therefore, when a terminated employee pays 100% of the premium, the state would not have a termination liability.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2006

Name	Amount
Robert Austin	$ 450
Larry Broussard	650
Adell Brown, Jr.	350
Kevin Brown	150
Carolyn Burris	600
Gregory Gachassin	650
Allison Jones	500
Merriel Lawson	500
James Madderra	600
Philip Miller	650
Larrey Mouton	300
Danette O'Neal	550
Wayne Woods	750
	$ 6,700

Note: The per diem payments are authorized by Louisiana Revised Statute, and are presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2006

	Description of Funding	Amount
1.		$
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
	Total	$ N/A

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
JUNE 30, 2006

)

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
		$	$	$	$		$
Total		$ N/A	$ N/A	$ N/A	$ N/A		$ N/A

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF NOTES PAYABLE
JUNE 30, 2006

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/05	Redeemed (Issued)	Principal Outstanding 6/30/06	Interest Rates	Interest Outstanding 6/30/06
FHLB Advance	6/27/05	$1,000,000	$1,000,000	$1,000,000	$0	3.489	$0
HUD Debenture	4/28/06	29,020,292	0	0	29,020,292	4.500	228,535
Total		$30,020,292	$1,000,000	$1,000,000	$ 29,020,292		$ 228,535

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF BONDS PAYABLE
JUNE 30, 2006

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/05	Redeemed (Issued)	Principal Outstanding 6/30/06	Interest Rates	Interest Outstanding 6/30/06
General Revenue Office Building Bonds Series 2001	8/22/01	$9,500,000	$8,055,000	$520,000	$7,535,000	3.50%-8.00%	$26,962
Elderly Projects	11/1/03	64,695,000	60,045,000	39,445,000	20,600,000	1.20%-4.80%	58,135
Total		$74,195,000	$68,100,00	$39,965,000	$28,135,000		$85,097

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF REIMBURSEMENT CON TRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2006

Fiscal Year Ending:	Principal	Interest
2007	$	$
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
Total	$ N/A	$ N/A

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2006

Fiscal Year Ending:	Payment	Interest	Principal	Balance
2007	$	$	$	$ --
2008				--
2009				--
2010				--
2011				--
2012-2016				--
2017-2021				--
2022-2026				--
2027-2031				--
Total	$ N/A	$ N/A	$ N/A	$ N/A

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended June 30, 2006

Fiscal Year Ending:	Principal	Interest
2007	$	$ 1,305,913
2008		1,305,913
2009		1,305,913
2010		1,305,913
2011	29,020,292	1,305,913
2012-2016		
2017-2021		
2022-2026		
2027-2031		
Total	$ 29,020,292	$ 6,529,565

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2006

Fiscal Year Ending:	Principal	Interest
2007	$ 1,695,000	$ 1,011,180
2008	2,895,000	966,213
2009	2,975,000	887,192
2010	3,070,000	796,312
2011	3,175,000	693,458
2012	3,290,000	578,606
2013	3,415,000	452,174
2014	3,555,000	313,330
2015	2,385,000	163,705
2016	820,000	59,485
2017	860,000	20,210
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
Total	$ 28,135,000	$ 5,941,865

STATE OF LOUISIANA

LOUISIANA HOUSING FINANCE AGENCY

COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than $1 million, explain the reason for the change.

	2006	2005	Difference	Percentage Change
1) Revenues	$ 120,538,585	$ 117,745,382	$ 2,793,203	$ 2.37%
Expenses	102,501,173	112,542,378	(10,041,205)	-8.92%
2) Capital assets	10,213,717	11,249,395	(1,035,378) -	-9.20%
Long-term debt	57,155,292	69,100,000	(11,944,708)	-17.29%
Net Assets	115,296,808	97,259,396	18,037,412	18.55%

Explanation for change:

Revenues: The increase is due to an increase in low income housing tax credit program *fees as a result of Hurricane Katrina and increased transfers from the MRB program.*

Expenses: The decrease is due to a decrease in the provision for loan loss.

Capital Assets: The decrease is due to the HUD properties damaged during Hurricane Katrina.

Long-term Debt: The decrease is due to the partial redemption of the Multifamily Series Elderly Projects bonds.

Net Assets: The increase is due to higher income from operations and substantial transfers In from mortgage revenue bond housing programs.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA

JUNE 30, 2006

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2006

DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR, C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR, C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR. C.P.A.
(1920-1996)
JAMES MAHER, JR, C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

August 21, 2006

To the Board of Commissioners
Louisiana Housing Finance Agency
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Housing Finance Agency as of and for the year ended June 30, 2006, and have issued our report thereon dated August 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Louisiana Housing Finance Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether Louisiana Housing Finance Agency's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Agency's management, the Louisiana Legislative Auditor, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR, C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR, C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR. C.P.A.
(1920-1996)
JAMES MAHER, JR, C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 21, 2006

To the Board of Commissioners
Louisiana Housing Finance Agency
Baton Rouge, Louisiana

Compliance

We have audited the compliance of the Louisiana Housing Finance Agency with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. The Louisiana Housing Finance Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Louisiana Housing Finance Agency's management. Our responsibility is to express an opinion of the Louisiana Housing Finance Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Louisiana Housing Finance Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Louisiana Housing Finance Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control over Compliance

The management of the Louisiana Housing Finance Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Louisiana Housing Finance Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Louisiana Housing Finance Agency as of and for the year ended June 30, 2006, and have issued our report thereon dated August 21, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the Agency's management, federal awarding agencies and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Name or Agency or Department	CFDA or Other No.	Name of Program	Name of Grant	Federal Grant Contract #	Total Awards Expended
HUD	14.182	Housing Assistance Payments	Section 8	LA800CC0001	$ 1,679,583
	14.195	Housing Assistance Payments	Section 8	LA800CC0001	53,160,833
	14.195	Housing Assistance Payments	Section 8	LA800CC0001	3,083,837
		Total Section 8 funds			57,924,253
HUD	14.239	HOME Investment Partnerships			15,015,650
HUD	14.188	Housing Finance Agency Risk Sharing Program (Amount of outstanding loan guarantees)			23,137,203
DHHS	93.568	Low Income Housing Energy Assistance Program (LIHEAP)	2003 Funds	2003 – G-0301LALIEA	584,250
			2004 Funds	2004 – G-0401LALIEA	882,513
			2005 Funds	2005 – G-05B1LALIEA	18,379,262
			2006 Funds	2006 – G-06B1LALIEA	8,195,532
			Refunds (net)		(34,109)
			Admin		752,395
		Total LIHEAP funds			28,759,843
Energy	81.042	Weatherization Assistance Program (WAP)			
			2006 Funds	DE-FG48-03R830003, M003	1,694,776
			2007 Funds	DE-FG48-03R830003, A003	13,814
			Refunds (net)		8,481
			Admin		84,698
		Total WAP funds expended			1,801,769
Homeland Security	97.049	Disaster Housing Operations (FEMA)	2006 Funds	70-0702-0-1-453	781,972
			Admin		11,233
					793,205
		Total expenditures			$127,431,923

See accompanying notes to the schedule of expenditures of federal awards.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Louisiana Housing Finance Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SUBRECIPIENTS

Program Title	Federal CFDA Number	Amount Provided
The Louisiana Housing Energy Assistance Program (LIHEAP)	93.568	$ 28,007,448
Weatherization Assistance Program (WAP)	81.042	1,717,071
Disaster Housing Operations (FEMA)	97.049	781,972
		$ 30,506,491

NOTE C – PROGRAM INCOME

In accordance with terms of the loans funded under the HOME Program, program income totaling $1,028,960 was collected. That amount was used to reduce the amount of federal funds that would have been drawn to fund various single family and multifamily projects. The income was comprised of mortgage loan collections of principal and interest. The expenditure of the program income is included in the accompanying schedule of expenditures of federal awards.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE D – RECONCILIATION TO THE FINANCIAL STATEMENTS

Per financial statements:

Federal awards expensed (nonoperating)	$ 86,319,637
Mortgage loans issued (capitalized)	11,911,682
HUD Risk Sharing Mortgage Loans	23,137,203
Administrative costs within operating expenses	6,063,401
Per schedule of expenditures of federal awards	$ 127,431,923

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

• Material weakness(es) identified?	____ yes	X no
• Reportable condition(s) identified that are not considered to be material weaknesses?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	____ yes	X no
• Reportable condition(s) identified that are not considered to be material weaknesses?	____ yes	X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ yes	X no
Dollar threshold used to distinguish between Types A and B Programs:	$ 3,000,000	
Auditee qualified as low risk auditee:	X yes	____ no

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Identification of major programs:

CFDA Numbers	Name of Federal Program Cluster
Section 8 cluster:	
14.182	New Construction and Substantial Rehabilitation
14.195	Housing Assistance Payments – Special Allocations

B. **Findings – Financial Statement Audit** – None

C. **Findings and Questioned Costs – Major Federal Award Programs** – None

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

2005 – 1) Monitoring

14.188 Housing Finance Agency Risk Sharing Mortgage Loan Program

Criteria: As part of its monitoring responsibilities, the Agency is required to ensure that borrowers obtain and submit audits in accordance with OMB Circular A-133 for nonprofit organizations, or the Consolidated HUD Audit Guide for for-profit organizations.

Condition: Certain borrowers' audits that were submitted were not performed in accordance with appropriate standards.

Questioned Costs: None

Effect: It is important that such audit standards be followed as they are required by federal regulations. Additionally, such standards provide for compliance reports which can aid the Agency in its monitoring responsibilities.

Recommendation: The Agency should take measures to ensure that borrowers and their auditors are aware of the specific requirements and standards for the audits conducted.

Status: Resolved

2005 – 2) Monitoring

93.568 Low Income Housing Energy Assistance Program

Grant # G-301 LALIEA
Grant # G-401 LALIEA

Criteria: Recipients of subgrants and/or contracts involving federal funds in excess of $25,000 must not be suspended or debarred from participation in such contracts/awards. The awarding Agency is responsible for ensuring that the recipient is not suspended or debarred either through search of the epls website or through obtaining certifications signed by the recipient.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

Condition:	The certifications are not obtained for the 41 subgrantees of the Agency.
Questioned Costs:	None
Effect:	The Agency might unknowingly contact with parties that are disallowed from doing business with the federal government.
Recommendation:	The Agency should obtain the required certifications or search the epls website as required for all contracts and subgrants involving federal funds.
Status:	Resolved

2005 – 3) Cash Management

81.042 Weatherization Assistance Program (WAP)

Grant #'s DE-FG 48-03A830003
2003 Funds A000
2004 Funds A000

Criteria:	Federal Regulations require that cash received from federal sources must be kept at a minimum. Agencies should ensure that the time period between receipt and disbursement of cash is minimized.
Condition:	The Agency had cash on-hand relating to the WAP program of $345,868 which was not disbursed in a timely manner.
Questioned Costs:	$345,868
Effect:	The Agency is non-compliant with the cash management requirements of OMB Circular A-102 with regard to this program.
Recommendation:	The Agency should re-visit its process for drawing down and disbursing grant funds to ensure that the time elapsing between receipt and disbursement of funds is minimized.
Status:	Resolved